

ISSUER ANNOUNCEMENTS
Corporate Actions Europe
Securities Operations Forum

LONDON

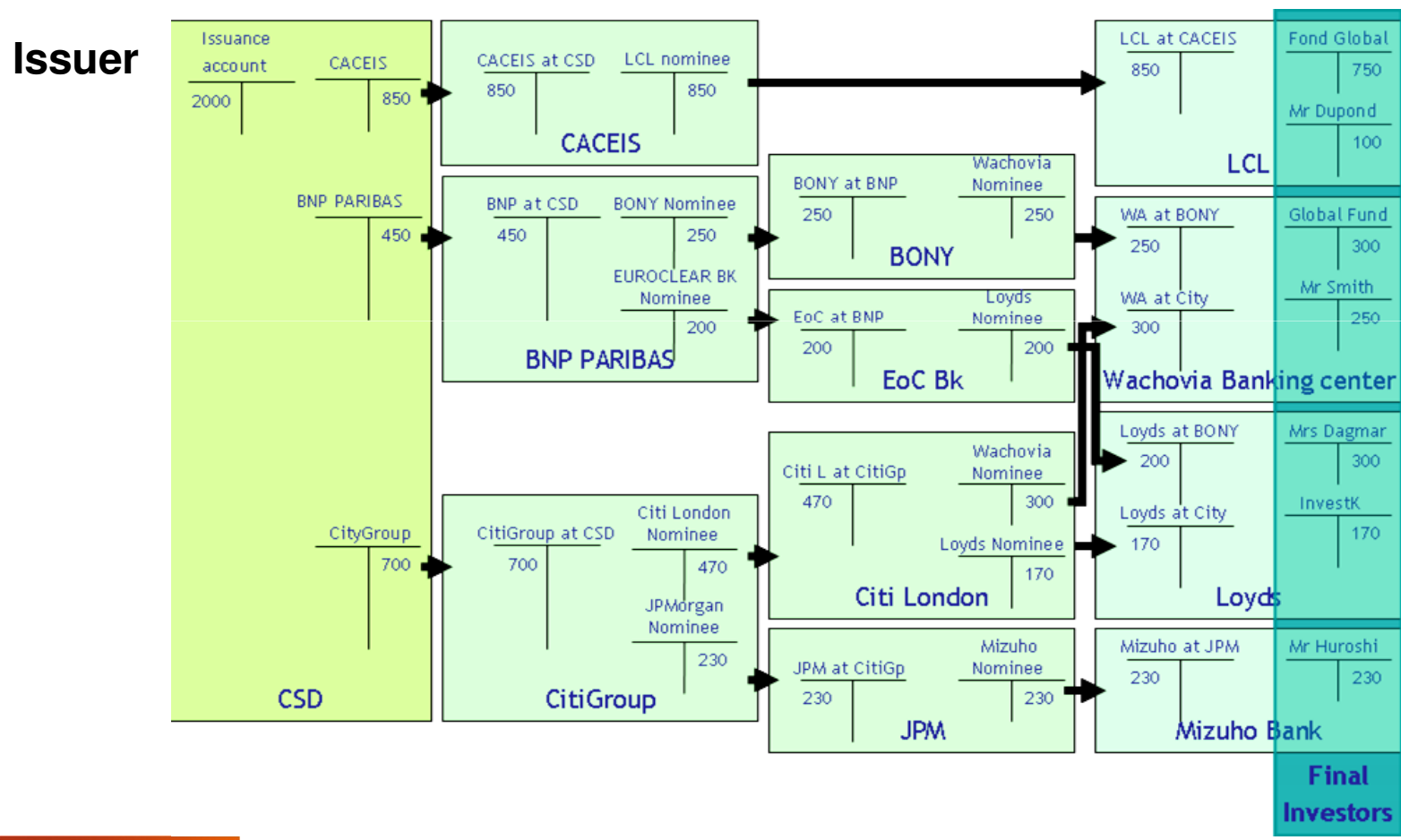
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Secretary General

EU Industry initiatives

- **Two cross sector industry groups:**
 - joint working group on general meetings (JWGGM)
 - Corporate actions joint working group (CAJWG)
- **Participants:** issuers, CSDs, CCPs, intermediaries, stock exchanges (EuropeanIssuers, ECSDA, EACH, EBF, EACB, ESBG, ESSF, FESE)
- **Context:** EU COM mandate to dismantle Giovannini Barrier 3
- **Objective:**
 - Remove “discrimination” of cross-border shareholdings
 - increase efficiency and reduce costs and risks of supporting processes and communications
- **Domain:** general meetings and corporate actions
- **Deliverable:** EU wide market standards that harmonise communications and processing
- **Enforceability:** self-regulatory, but COM is closely watching

A cross-border and intermediated shareholding



Securities industry to form the bridge

Issuers



Shareholders

What is standardised?

- Communication and processing models
- Components of standardisation
 - Parties involved: issuer, issuer CSD, intermediaries, end shareholder...
 - Timelines
 - Content of the communication
 - Proof of entitlement (GM)
 - Information flow: who says what to whom
 - **Formatted** messages: such as ISO 20022

What is covered?

General meetings

- Process 1: Meeting notice
- Process 2: Entitlement (record date)
- Process 3: Notification of attendance

Corporate actions

- Distributions and reorganisations
- Mandatory and voluntary
- With and without options
- Transaction management

Some key features of the proposed standards

- Issuer to initiate the information process -> accurate and trustworthy source
- CSD, the ultimate depository, as preferred channel to dispatch information
- Communication through chain of intermediaries
- Standards are simple as such but the underlying practice is incredibly complex: e.g. determination of entitlement at record date complicated by multiple layers of holdings, stock lending, derivatives ...

Some key features (Ctd)

- Communication to be continued until the end shareholder
 - Opt out (only) possible at initiative of end shareholder
 - Terms of opt-out set forward, a.o.
 - Well informed
 - General or specific
 - Revocable
- Pricing (GM)
 - basic services: non paper based communications
 - charged at cost at every level
 - no profitable business unless added value services

State of play

- General Meetings
 - Public consultation document 2/12/08
 - Deadline market feedback **mid February**
 - Final revision, endorsement, gap analysis and implementation ASAP and to be liaised with national implementation of SRD
- Corporate actions
 - Public consultation document 09/08
 - Deadline market feedback **mid December 08**
 - Revisions under way

Questions for the panel

1. Why do you think there is a chain of intermediaries, and with the harmonization of communication do you think we will eventually be able to reduce the length of the chain and streamline the relationship between the issuer and the shareholder?
2. Market Standards: Will there be an overall market commitment to apply them? Or will certain groups choose to opt-out? Is the correct analogy here that the “chain is only as strong as its weakest link?”
3. Most of these initiatives for discussion and standards are European. Should this be a global movement? Or can we still be efficient if we limit ourselves to the European market?
4. (if time allows): Are there any legal or regulatory constraints hampering the applicability/application of the standards? Would a regulatory or legislative initiative be necessary to ensure their applicability/application? (For instance: announcement vs offer)